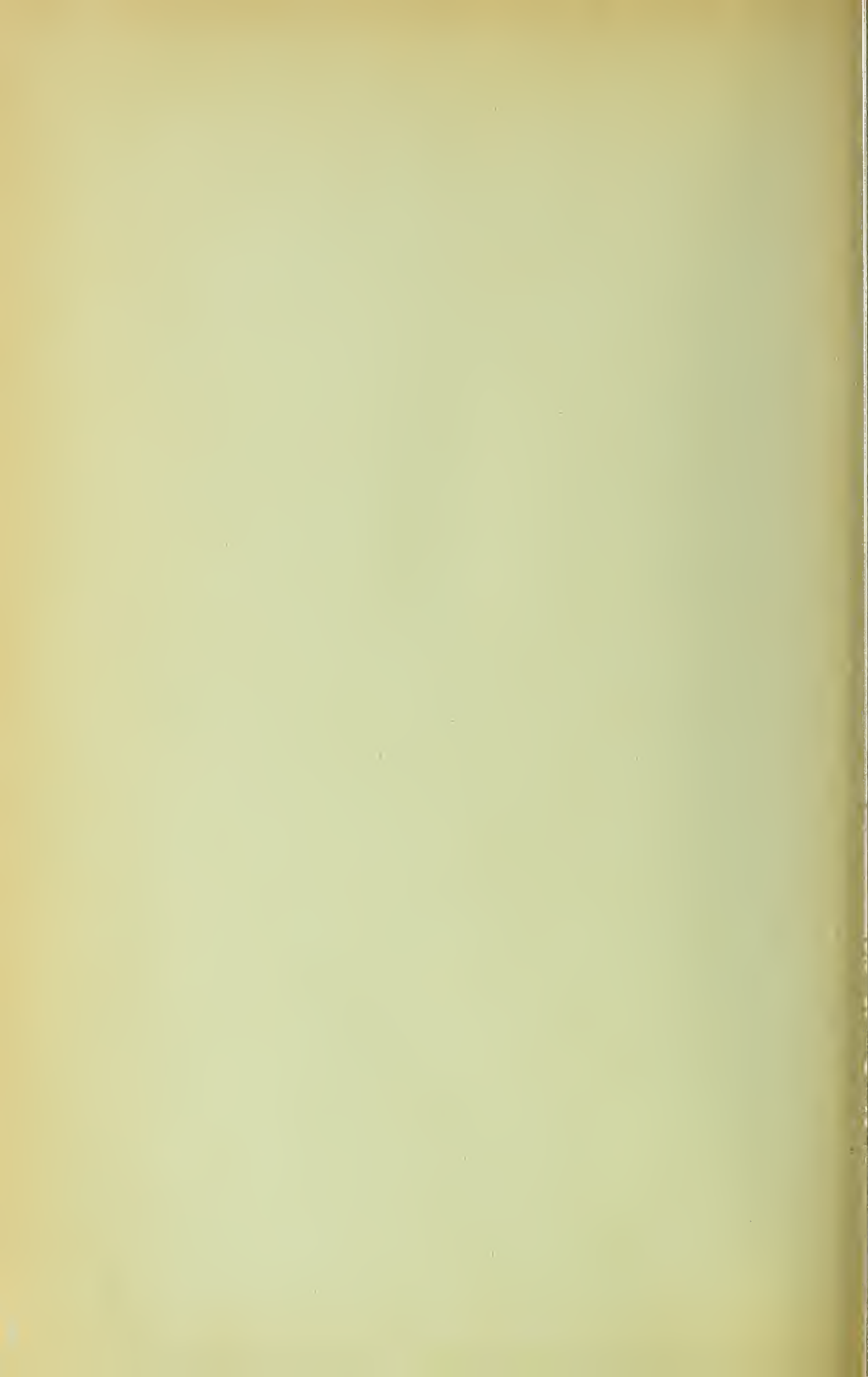


34

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President, Southern Railway Company.



THE SOUTHERN RAILWAY BELONGS TO THE PEOPLE OF THE SOUTH.

The Southern Railway System includes 10,000 miles of railroad on which 59,000 officers and employees perform public services, in return for which more than 100 millions of annual revenue is collected. These are big figures and, in a country in which there has always been a pride in big things, in which every community has been wont to boast of that which it has which is the biggest, such a big thing as the Southern Railway System should be, and I believe is, a source of pride to the South, but exactly in proportion as it is big also in its public service and faithful in its public trust. The administration of such a vast machine, affecting, as it does, the comfort and well being of the people of a large territory, is, therefore, itself a large public service. The time has passed when it might be exploited for merely private and selfish ends. The lawyers used to tell us that a railroad was a quasi public institution, but today, happily, it might better be described as a quasi private institution. It is private still in the opportunity it presents for the exercise of individual initiative and competitive service, but in practically every other sense it is now recognized that it is public.

It is a matter of sincere regret to every railroad manager that railroad securities are not more generally held, directly and immediately, in the communities which the railroads serve. The lack of such holding deprives him of a powerful and sympathetic ally in the relation of public opinion to his problems. The time was when the railroad stocks were owned immediately at home, and by the people who were most influential in shaping public opinion, but today, while railroad stocks are generally held by the same kind of people—by those who, through the exercise of prudence, industry and courage have laid by a competence, and by the women and children for whom they worked—such investors now do not as a class reside in the territories in which they have made their investments. The explanation of this phenomenon—so well known to us all, but still a phenomenon—is part of the financial history of the United States, but the fact has given rise to a feeling among many of those who use the railroads daily and come into immediate contact with their managements, that the railroads belong to some mysterious,

remote and foreign power, to irresponsible potentates, who bear, in popular imagination, the generic name of "Wall Street." We read in magazines and newspapers of the romantic lives attributed to a few individuals who are supposed to "control" the destinies of whole communities by possession and exploitation of the instruments upon which such communities depend for their necessary transportation, who "fix" rates and arbitrarily determine conditions of service, and so "tax" the people they ought to serve, withdrawing money earned in the sweat of the brow from the communities where it is earned, to be dissipated at a distance in extravagant follies. Such a vision is not the result of pure imagination—it has had unfortunately its foundation of justification in a few conspicuous instances, which leap to the lips of every one who discusses our present-day industrial problems: but every intelligent man knows that it is no longer, if it ever was, the rule.

In considering such lamentable individual cases, the public, when forming its potent judgment on the present situation of the railway industry, must recognize them as the unhappy exceptions they are. To him who insists that the railroads should be judged by their black sheep, it is fair in answer to invite attention to many exemplars of high-minded integrity in the administration of railroad property. We in the South can cite shining examples of such rectitude. I may be forgiven a proud reference to my late chief, William Wilson Finley, whose opportunities were not less than those of any of the flagrant individuals to whom allusion has been made, but who, after years of devotion to a public duty and the practice of a large private charity, left an estate the amount of which, as announced in the public press, is at once a certificate of candid character and an illustration of just administration. One who knew them can add to the same roll of honor two more executives of railroads in the South who have recently gone to the grave—Thomas M. Emerson and John W. Thomas, Jr.

Despite the holding of railroad stocks outside of the territories the railroads serve, and despite the aberrations from integrity in the administration of some particular railroads, I believe that I am not claiming too much when I assert that such has been the development of the recognition in recent years of the public nature and responsibility of the administration of the railroads, and such have been the practical consequences of that recognition, that today in every essential a railroad belongs to the communities it serves.

In this aspect and in a very real sense the Southern Railway be-

longs to the people of the South. It is not only their highway to market, but its fiscal operations are part of the life of the communities along its lines.

At some risk of trespass upon your attention, I venture to support this claim with a brief argument from statistics. They record a condition which is astonishing and I confess astonished me when I saw how far they go along the lines of a tendency which I knew to obtain. Of the one hundred and three millions of annual revenue collected last year by the railways included in the Southern Railway System, there was immediately paid out again along its lines at least seventy-six millions, an amount not far short of the total collections from the people of the South: for approximately twenty-two millions of the total revenues were collected from people outside of the Southeastern States—a fact not often taken into consideration, the explanation of which is that an appreciable part of the passenger traffic of the system consists of the transportation of residents of other localities traveling in the South, and, furthermore, that to a large extent freight charges on Southern products shipped to other localities are paid by the consignees.

What then becomes of these great revenues collected in the South? Are they hurried away to some cavern in Wall Street? No. The fact is that all the moneys collected in the South are deposited in Southern banks which are drawn upon from time to time only as funds are needed for proper fiscal purposes. The funds of the system thus become an important factor in strengthening the banks of the territory, and so are at all times at the service of the Southern people.

I have said that these funds are withdrawn from Southern banks from time to time only as needed for proper fiscal purposes, but even in that operation, to a large extent, the moneys collected for transportation service on our lines are not withdrawn at all from the Southern communities in which they are collected. This can be demonstrated by an analysis of Southern Railway expenditures for the last fiscal year. Such analysis shows that, of every dollar disbursed, 41.71 cents went to the payment of wages, substantially all of which are paid along the line of the road, and so remain in Southern banks, a disbursement which, for the Southern Railway proper, averages about two million dollars a month. The purchase of materials and supplies used 23.30 cents, and, under our policy of buying as far as practicable from Southern people, 19.12 cents of this was expended in the South and only 4.18 cents in other localities. Miscellaneous operating expenses required 6.09

cents, all spent in the South. Taxes, all paid in the South, required 3.65 cents. Interest, rentals and other miscellaneous payments accounted for 20.83 cents, and the holders of the Company's preferred stock received 4.42 cents. It is unfortunately impracticable to determine the proportion of interest and dividends paid to Southern owners of Southern Railway securities. I wish it was all paid to Southern people: but, leaving these entirely out of account, it is seen that at least 70.57 cents out of every dollar expended by the Southern Railway remains in or is brought into the South. It may be added that these figures do not take account of expenditures for additions and betterments amounting last year to three millions and a half and in ten years to twenty-seven millions of which the major part, expended on roadway and structures, was practically all paid out along the line of the road. We may then take it as established that what the Southern people pay the Southern Railway lines for transportation remains a part of the working capital of the Southern people: but it is interesting to pursue the thought a step further to a realization of what these disbursements by the Southern Railway in the South mean in the life and growth of the Southern people. Of the total of seventy-six millions paid out along the Southern Railway lines last year approximately forty-three million dollars went to the army of 59,000 employees and thus, on the conventional basis of five to a family, directly supported about 295,000 Southern people, or about six and one-half times the population of Chattanooga at the date of the last census.

I have spoken of our preferred stockholders, but the real preferred stockholders of the Southern Railway System, in the matter of priority of claim, are the political governments of the States, counties, and cities along its lines. Their claim upon railroad revenues comes ahead even of that of employees, and they took \$3,743,704.39 in the last fiscal year. It is hard to grasp the significance of figures as large as this: what our tax payments really mean to the communities along our lines can be better understood by an illustrative analysis of our payments on account of school taxes and road and bridge taxes in the Southern States. In 1912, our school taxes in these States amounted to something over \$800,000, or an average of twenty-eight hundred dollars for each county traversed by our lines. At the average annual compensation of school teachers in the Southern States, as reported by the United States Bureau of Education, this would more than pay for ten teachers in each county. It represents \$2.64 out of every \$100 of

school taxes paid in these States and amounts to fifteen dollars for each school building in the States traversed by our lines. Every dollar paid to the Southern Railway for transportation charges thus includes a substantial contribution to the maintenance of the system of public education in the South.

Payments by the Southern Railway System in the same year of taxes directly assessed for public roads and bridges amounted to \$447,-966.63, or an average of \$1,571.81 for each county along our lines. Every dollar paid to the Southern Railway for transportation charges thus includes also a substantial contribution to the maintenance of the public highways of the South and is an indirect but none the less real public support of the progressive movement for good and better roads.

I have referred to the impracticability of determining the amounts of interest and dividends paid to holders of securities living along the line of the road. We know, however, that a large percentage of our population have a very real though indirect personal interest in these securities even though they may never have seen a railroad bond or stock certificate. There are few families in the South who do not hold an insurance policy of some sort: either an assurance on life or against the risk of fire. The invested funds of the great insurance companies are, therefore, matter of vital concern to the Southern people and, in large measure, are their own assets held in trust for their benefit. We find that the chief insurance companies report their holding of securities of the Southern Railway System, including terminal bonds on which the Southern is a joint guarantor aggregating more than eighty million dollars. In that great fund, the integrity of which depends upon the continued solvency of the Southern Railway lines, the Southern people have a vital proprietary interest; an interest which, as they realize it, should be to them a constant spur to protect themselves by maintaining, as they can and will, the basis of Southern Railway credit.

I assert with confidence that the facts to which I have called your attention are full warrant for the claim that in a very real sense the Southern Railway belongs to the people of the South: so much so that its annual reports might more properly be addressed "To the People of the South" to advise you of the results of the management of your property, for today it belongs more to you than it does to the stockholders. More than this, its management is and always has been devoted to the interests of the South. Its officers are mostly Southern-born men and those who were not born in the South have been here long enough

to become identified with our interests, our peculiarities, our responsibilities, our prejudices, and our aspirations as a people: they talk the same language as the people of the South. I look forward to the time when there may be more Southern men sitting on our Board of Directors, where I know that they will be welcome.

As an organization then, the Southern Railway, with full appreciation of, and acquiescence in, the present tendency of public sentiment as to what a railway is and should be, stands pledged to the Southern people, and is proud to declare itself one of their own institutions. As such it invites the Southern people to help it to become more and more their efficient servant and at the same time the object of their pride and affection. They need have no fear of its future if it has their confidence.

I trust you will permit me to take this occasion to say finally a word of a personal nature: I believe in the South and our Southern people with all my heart and soul. I have given most of the years of my manhood to an earnest, though a subordinate, part in an effort to realize a high purpose of promoting the regeneration, through industry, of the prosperity of this our beloved motherland. I have not known in my own experience the horrors either of the military conflict which left our people prostrate, or of the drear years of political disability and atrophied ambition which followed that great war between the States, in one of the chief theaters of which we are tonight: but I know the bitterness of these things in the tradition of my immediate family, and I have learned from my parents that there can be no higher aspiration than to be a part in the realization of the ideals of our Southern people. Facing the future, I have then dedicated my life to that duty and to identification with the Southern people. Many others have done and are doing this and I am proud to be of the company which has accomplished, through co-operation and sustained effort, so much in the last quarter of a century.

I am humbly grateful for the welcome the South has given me to my new opportunity for its service. It has been such a welcome as you have given me tonight, cordial and with every evidence of good will. My hope is to justify this to those who allow me their confidence, who are willing to believe that if we sometimes fail it will not be through lack of good intention or desire to do our duty as we conceive it. I have no sense of personal elation in the realization today of an ambition cherished ever since I entered the service of the Southern Railway Company

seventeen years ago. I feel most a sobering sense of a heavy responsibility, but I do not fear the event. I have served under two great men, Samuel Spencer and William Wilson Finley, both men of action, eager to accomplish, conscious always of the imperious summons of today, and of the warning of Ecclesiastes: "Whatsoever thy hand findeth to do, do it with thy might." I have known that before all they were patriotic men, faithful to the South, and with their example and their ideals before me my hope now is so to carry on their work as to gain the kind of public esteem they earned and to aid in building for the future, as they built, not only the Southern Railway but the South itself. In this high endeavor I am one of you, my fellow countrymen, who are similarly engaged, and I appeal to you as co-workers for aid and co-operation.

